

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

KENNETH M. ROSS, COMMISSIONER,
MICHIGAN DEPARTMENT OF LABOR AND
ECONOMIC GROWTH, OFFICE OF FINANCIAL
AND INSURANCE REGULATION,

Petitioner / Liquidator,

Case No. 05-1472-CR

Hon. William E. Collette

v.

ULTIMED HMO OF MICHIGAN, INC.,
a Michigan health maintenance organization,

IN LIQUIDATION

Respondent.

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Michigan Department of Attorney General
Insurance & Banking Division
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2008 DEC 10 4:11:21
CLERK OF COURT
JUDICIAL CIRCUIT
INGHAM COUNTY
MICHIGAN

ORDER:

- (1) APPROVING LIQUIDATOR'S CLAIM PROCEDURES & RECOMMENDATIONS;
(2) ESTABLISHING PRIORITY OF DISTRIBUTION OF CLAIMS;
(3) AUTHORIZING DISTRIBUTION OF LIQUIDATION ESTATE ASSETS; AND
(4) **REQUIRING SUBSTITUTION OF REDACTED EXHIBITS**

At a session of said Court
held in the Circuit Courtrooms
for the County of Ingham,
State of Michigan, on the
10th day of December, 2008.

PRESENT: HONORABLE _____

Circuit Court Judge

This matter having come before the Court pursuant to the Liquidator's Petition for an Order Approving the Liquidator's Claim Recommendations, Establishing Priority of Distribution of Claims, and Authorizing the Distribution of Liquidation Estate Assets (the "Petition"); the Court having reviewed the Petition and any objections or responses filed thereto; having heard oral arguments on December 10, 2008, which included counsel for the Liquidator's oral request for an Order requiring the substitution of redacted versions of Exhibits J and M to the Petition because these exhibits as originally filed with the Clerk of the Court contain certain individuals' personal identifying information; and the Court being otherwise fully advised;

NOW, THEREFORE, upon due consideration thereof, and for the reasons stated on the record,

IT IS HEREBY ORDERED that the procedures utilized by the Liquidator to adjudicate claims, as described in the Petition, are ratified and approved

IT IS FURTHER ORDERED that the deadline for filing claims has expired, and the Liquidator need not accept any additional claims because doing so would prejudice the orderly administration of the Ultimed HMO of Michigan, Inc. ("Ultimed") Liquidation Estate.

IT IS FURTHER ORDERED that pursuant to MCL 500 8142 and prior decisions of the Ingham County Circuit Court, the priority of distribution of claims from the assets of the Ultimed Liquidation Estate shall be as follows:

- Class 1: The costs and expenses of administration of the Ultimed Liquidation Estate, including but not limited to legal and supervisory fees, the actual and necessary costs of preserving or recovering Ultimed's assets, compensation for all services rendered in the liquidation, and any necessary filing fees. MCL 500 8142(1)(a).
- Class 2: All claims under Ultimed policies for losses incurred, including third party claims, and all claims of a guaranty association or foreign guaranty association. MCL 500 8142(1)(b) This class includes all claims by Ultimed members for

reimbursement of covered medical expenses paid out-of-pocket. In addition, as the Ingham County Circuit Court has previously determined in both The Wellness Plan and OmniCare receivership proceedings, this class includes all claims by medical providers that provided covered goods and/or services to Ultimed members. There are no guaranty association claims in this liquidation.

- Class 3: Federal government claims. MCL 500.8142(1)(c). The Liquidator received no claims that fall within this class.
- Class 4: All claims against the insurer for liability for bodily injury, or for injury to or destruction of tangible property that are not under policies, together with certain types of employee claims. MCL 500.8142(1)(d). The Liquidator received no claims that fall within this class.
- Class 5: Claims of general creditors (e.g., trade creditors). MCL 500.8142(1)(e).
- Class 6: Claims of any state or local government, with certain limitations applicable to claims involving penalty or forfeiture. MCL 500.8142(1)(f).
- Class 7: Claims filed late or any other claims other than claims under subdivisions (h) and (i). MCL 500.8142(1)(g).
- Class 8: Surplus or contribution notes, or similar obligations, and premium refunds on assessable policies. MCL 500.8142(1)(h). The Liquidator received no claims that fall within this class.
- Class 9: Claims of [former] shareholders or other owners. MCL 500.8142(1)(i). The Liquidator received no claims that fall within this class.

IT IS FURTHER ORDERED that pursuant to MCL 500.8142(1), “[e]very claim in each class shall be paid in full or adequate funds retained for their payment before the members of the next class receive payment.”

IT IS FURTHER ORDERED that the Liquidator's report on claims and claim recommendations, as summarized in the Petition and detailed in Exhibits F through M to the Petition, are approved.

IT IS FURTHER ORDERED that the Liquidator is authorized to make a pro rata distribution of Ultimeid Liquidation Estate assets to Class 2 claimants in the total amount of \$72,255. At the present time, the remaining Ultimeid Liquidation Estate assets shall be retained by the Liquidator for the payment of Class 1 final administrative costs and expenses. Any additional assets that are recovered and/or that are not required to fund Class 1 final administrative costs and expenses will be distributed to claimants at a future date following the filing of a Petition and approval by the Court.

IT IS FURTHER ORDERED that the Liquidator shall retain records necessary to permit the full and final adjudication of Class 5, 6, and 7 claims in the event that sufficient Estate assets become available to pay such claims. At a minimum, the Liquidator shall retain such records until the Liquidator applies for and the Court grants a discharge in this liquidation proceeding under MCL 500.8146.

IT IS FURTHER ORDERED that in connection with the distribution to Class 2 claimants authorized herein, a fine in the amount of Fifty Dollars (\$50.00) is approved and may be charged by the Liquidator to all Class 2 claimants that have failed to provide the Liquidator a complete, accurate form W-9 for the applicable tax year. This fine is appropriate because: (a) The Liquidator anticipates that Internal Revenue Service ("IRS") penalties will be incurred by the Ultimeid Liquidation Estate if the Liquidator submits incorrect tax identification data to the IRS; and (b) The Liquidator previously sent to all Class 2 claimants that are expected to receive a distribution a request that they submit an updated W-9 form and warned claimants that they would be penalized for failure to return an updated W-9 form to the Liquidator.

IT IS FURTHER ORDERED that with respect to any Class 2 claimants that would otherwise be entitled to receive the distribution authorized herein, but for which the Liquidator has received undeliverable mail returned from the United States Post Office and/or the

Liquidator has been unable to locate despite all reasonable efforts to do so, the amounts authorized to be distributed to such claimants and any other funds that the Liquidator has been unable to distribute at the time the Liquidator applies for a discharge shall be treated as unclaimed funds. Pursuant to MCL 500.8145, such unclaimed funds shall be deposited with the State Treasurer, who shall distribute the funds upon satisfactory proof of right to it or, if unclaimed after six (6) years, such funds shall escheat to the State.

IT IS FURTHER ORDERED that during the process of finalizing the distribution to Class 2 claimants, the Liquidator may re-review certain claim materials to verify that the Ultimed Liquidation Estate is not double-paying any claim. To the extent that the Liquidator identifies such duplicate claims, the Liquidator shall reduce the payment to the relevant claimant by the amount of the duplicate claim and the Liquidator shall inform the claimant of the reduction, including as applicable the member name, date of service, and service provided, as well as identifying information for the claim that is being paid. Any dispute arising from such a duplicate payment adjustment shall first be facilitated, and any such matter that cannot be resolved through facilitation shall be scheduled for a settlement/scheduling conference with the Court, which will, if necessary, establish an appropriate schedule and process for finally resolving the dispute.

IT IS FURTHER ORDERED that due to the limited assets remaining in Ultimed's Liquidation Estate and the prohibitive cost associated with providing personalized notice to the over 2,400 creditors that have filed Proofs of Claim against the estate, the Court authorizes, approves, and/or ratifies the Liquidator's service of the Petition and this Order by:

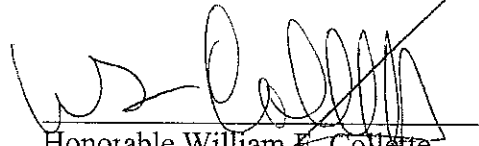
- (a) Posting copies on the OFIR website, www.michigan.gov/ofir, under the section "Who We Regulate" and the subsection "Ultimed"; and
- (b) Serving copies on Ultimed's five largest creditors (by approved claim amount), which are: (a) The Henry Ford Medical Group; (b) CVS Pharmacy; (c) The City

of Detroit Fire Department; (d) Rite Aid Corporation; and (e) The Regents of the University of Michigan.

The Court finds that providing notice in this manner is reasonably calculated to give interested parties (namely, Ultimed's creditors) actual notice of these proceedings, an opportunity to be heard, and is otherwise reasonable under the circumstances.

IT IS FURTHER ORDERED that because Exhibits J and M to the Petition as originally filed with the Clerk of the Court contain certain individuals' personal identifying information, redacted versions of Exhibits J and M shall be substituted in their place

IT IS SO ORDERED.



Honorable William E. Conlette
Circuit Court Judge